FOCUS ON THE FISC

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Evan Brasseaux, Staff Director

Economic Section
Greg Albrecht, Chief Economist
Ben Vincent, Economist

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Colleen McCrory, Fiscal Analyst

Health & Hospitals Section
Shawn Hotstream, Section Director
Patrice Thomas, Fiscal Analyst
Tanesha Morgan, Fiscal Analyst

General Government Section
Alan Boxberger, Section Director
Zachary Rau, Fiscal Analyst
Monique Appeaning, Fiscal Analyst/Special Projects Coordinator

Information Services Section
Willie Marie Scott, Section Director

Support Staff
Debbie Roussel, Rachael Feigley

LEGISLATIVE FISCAL OFFICE
900 North 3rd Street (P.O. Box 44097)
State Capitol Building, 18th Floor
Baton Rouge, LA 70804

Phone: (225) 342-7233, Fax: (225) 342-7243
Website: lfo.louisiana.gov

FROM THE DESK OF THE FISCAL OFFICER

Your Legislative Fiscal Office is pleased to present the latest edition of Focus on the Fisc.

This edition begins on Page 1 with an overview of the mid-year reduction plans undertaken in FY 17. Following on Page 3 is an overview of the proposed Executive Budget for FY 18. In subsequent pages we analyze the Executive Budget more in depth by section, beginning with General Government, followed by Health & Hospitals, and ending with Education. The final section is an analysis of potential revenue measures as recommended by the Task Force on Structural Change in Budget and Tax Policy.

We hope you find our publication timely, informative and helpful in your preparation for the upcoming Regular Session. This edition is the final newsletter prior to the 2017 Regular Session. We will publish our next edition of the newsletter in Summer 2017, following the Regular Session.

-John D. Carpenter

FY 17 Mid-Year Deficit Elimination Plans

--Jodi Mauroner, Education Section Director, mauronerj@legis.la.gov--
--Willis Brewer, Fiscal Analyst, brewerw@legis.la.gov--

December 2016 #1 ($312.6 M)

On December 13, 2016, the Revenue Estimating Conference (REC) recognized a prior year (FY 16) revenue shortfall in the amount of $312.6 M. Under his unilateral authority, the governor proposed SGF reductions in the amount of $276.8 M. An additional $35.8 in general fund and statutory dedications was reduced with the approval of the Joint Legislative Committee on the Budget (JLCB). The reductions were partially offset by $123.8 M in other adjustments including backfills from statutorily dedicated fund balances as well as an increase in self-generated revenues. The net reduction of $188.8 M included a Medical Vendor program extension of a check write into FY 18 in the amount of $152 M. The resulting net reductions to state agency budgets totaled $36.7 M, or just below 12% of the overall $312.6 M shortfall.

January 2017 #2 ($304.2 M)

On January 13, 2017, the REC recognized a current year (FY 17) revenue shortfall of approximately $340.6 M. This amount was reduced by $27.2 M as a result of a means of financing swap for the Department of Public Safety and by an additional $9.2 M due to a reduction in FY 17 debt service payment requirements below original estimates. After making these adjustments, the FY 17 deficit to be addressed by the governor and legislature totaled $304.2 M.

In order to address this shortfall in the time frame required by law, the governor called the legislature into a special session February 13-22, 2017. Act 34 of the 2017 1st Extraordinary Session resolved the shortfall through the adjustments identified on the following page.

- $99 M – Use of the allowable 1/3 draw down of the available balance in the Budget Stabilization Fund (approximately 82.7% of the $119.7 M 1/3 allowable balance); approved through Senate Concurrent Resolution 2.
- $18.4 M – Use of additional revenues from GO Zone payments in excess of the REC forecast (payments of prior year balances owed as well as an advance payment of $4.8 M from the New Orleans Aviation Board).
- $2 M – Use of available fund balance from the Legislative Auditor Ancillary Enterprise Fund.
- $11.9 M – Use of projected excess funding in salaries and related benefits as a result of attrition and funded, but not filled, vacancies in executive branch agencies.
- $97.6 M – Use of offsets and means of finance swaps utilizing self-generated revenue, statutory dedications and federal funds to backfill targeted SGF operating expenditures.
- $4.9 M – Extend check-write in the Medical Vendor Program related to dental services into FY 18.
- $70.1 M – Reductions to the operating budget of state agencies (approximately 23% of the adjusted $304.2 M shortfall amount)

The combined net reductions from both mid-year deficit elimination plans totaling $106.9 M, or 17.3% of the total $616.8 M adjusted shortfall, are presented by department in Table 1 below.

TABLE 1 - FY 2016-2017 1st and 2nd Mid-Year Net Reductions - State Effort (SGF, SD, FSGR) Only

Department	1st Mid-Year Cut	2nd Mid-Year Cut	Total Mid-Year Cuts
Executive Department	($3,126,957)	($1,683,161)	($4,810,118)
Veterans Affairs	($377,000)	$0	($377,000)
Secretary of State	$0	$0	$0
Office of the Attorney General	$0	($1,944,530)	($1,944,530)
Lieutenant Governor	$0	($53,365)	($53,365)
State Treasurer	$0	($500,000)	($500,000)
Public Service Commission	$0	($13,404)	($13,404)
Agriculture and Forestry	$0	($1,245,410)	($1,245,410)
Commissioner of Insurance	$1	($715,162)	($715,161)
Economic Development	$0	($1,368,064)	($1,368,064)
Culture Recreation and Tourism	$50,000	($696,635)	($646,635)
Transportation and Development	$0	($1,570,171)	($1,570,171)
Corrections Services	$0	$0	$0
Public Safety Services	($2,688,876)	($9,480,503)	($12,169,379)
Youth Services	$0	($4,467,000)	($4,467,000)
Department of Health*	($164,091,826)	($41,322,654)	($205,414,480)
Children and Family Services	($798,597)		($798,597)
Natural Resources	$0	($37,499)	($37,499)
Revenue	$0	($2,210,354)	($2,210,354)
Environmental Quality	($4,750)	($2,000,000)	($2,004,750)
Workforce Commission	$0	$0	$0
Wildlife and Fisheries	($2,508,943)	($383,975)	($2,892,918)
Civil Service	($134,312)	($52,654)	($186,966)
Higher Education	($11,909,637)	$0	($11,909,637)
Special Schools and Commissions	$0	$0	$0
Education	($2,243,638)	($1,750,000)	($3,993,638)
LSU Health Care Services Division	$0	$0	$0
Other Requirements	($985,425)	$0	($985,425)
Ancillary Appropriations	$0	$0	$0
Non-Appropriated Requirements	$0	$0	$0
Judicial Expense	$0	$0	$0
Legislative Expense	$0	($3,544,574)	($3,544,574)
Special Acts Expense	$0	$0	$0
Capital Outlay	$0	$0	$0
Grand Total	**($188,819,960)**	**($75,039,115)**	**($263,859,075)**
*Medical Vendor extended check write to FY18	$ 152,053,363	$ 4,888,484	$ 156,941,847
Net Reductions	**($36,766,597)**	**($70,150,631)**	**($106,917,228)**

FY 18 Executive Budget Overview

--Legislative Fiscal Office Staff--

The FY 18 Executive Budget increases $1,516,595,808 over the FY 17 existing operating budget (EOB) as of 12/1/16. The total increase includes a growth of $1,493,509,408 Federal funds and $113,302,609 IAT, but an overall net state funds reduction of $90,216,209 (including reductions of $172,459,757 SGF and $3,681,638 Statutory Dedications, and an increase of $85,925,186 SGR) in accordance with the LA Constitution, Article 7, Section 11.A,

For FY 18, the Division of Administration (DOA) identified an overall SGF expenditure need of $9.910 B based on the governor's expenditure priorities. Given the current FY 18 REC SGF estimate of $9.469 B, this places the governor's desired plan into a negative posture of approximately $440.5 M. Addressing the identified priorities will require the legislature to consider additional spending cuts, not funding these priorities, or approving legislation that will increase revenues, or some combination thereof. While the governor has indicated he will propose potential revenue enhancements during the 2017 Regular Session, these measures have not been identified at this time.

TABLE 2 - Pro Rata SGF Reduction by State Department			Annualization of Midyear Cuts
GENERAL APPROPRIATION BILL	Amount	Reduction	SGF
Executive Department	($2,439,282)	2%	$0
Veterans Affairs	($108,252)	2%	$0
Department of State	($61,614)	0.1%	$0
Department of Justice	($334,471)	5%	$0
Lt. Governor	($20,686)	2%	$0
Agriculture and Forestry	($505,453)	2%	$0
Treasury	-	-	-
Public Service Commission	-	-	-
Insurance	-	-	-
Economic Development	($279,685)	2%	$0
Culture Recreation & Tourism	($526,457)	1%	$0
Transportation & Development	-	-	-
Department of Corrections	($9,722,073)	2%	$0
Public Safety Services	($377,357)	1%	$0
Office of Juvenile Justice	($2,069,209)	2%	($5,350,000)
Department of Health*	-	-	($61,164,848)
Department of Children & Family Services	($3,668,317)	2%	$0
Department of Natural Resources	($287,745)	3%	$0
Department of Revenue	($698,689)	2%	$0
Department of Environmental Quality	-	-	$0
Workforce Commission	($130,609)	2%	$0
Department of Wildlife & Fisheries	-	-	-
Civil Service	($107,906)	2%	$0
Higher Education	($18,389,304)	2%	$0
Department of Education**	($2,932,482)	2%	($750,000)
Special Schools & Commissions	($883,246)	2%	$0
Health Care Services Division	($493,291)	2%	$0
Other Requirements	($4,021,891)	1%	$0
TOTAL	**($48,058,019)**	1%	**($67,264,848)**
OTHER APPROPRIATION BILLS***			
Judiciary	-	-	($3,788,273)
Legislative	-	-	($1,650,438)
TOTAL	-	-	($5,438,711)
GRAND TOTAL	**($48,058,019)**	**1%**	**($72,703,559)**

*Annualized mid-year reduction amount does not reflect $156.9 M for pushed check write

**The MFP is not included in the pro rata reduction for Department of Education.

***The governor's initial proposed FY 17 midyear reduction plan included ($3.7 M) for Judicary and ($1.6 M) for Legislative. The adopted plan included no reduction for Judiciary and ($3.5 M) for Legislative. The FY 18 recommended budget reflects the original amounts of the Governor's proposed mid-year reduction plan.

In constructing the executive budget recommendation, as per standard practice, DOA made adjustments against the EOB as of 12/1/16 to modify expenditure authority for identified needs. Many but not all mid-year deficit adjustments were annualized. Once the DOA had developed its initial expenditure plan, the remaining shortfall was addressed by applying a pro rata reduction to most state agencies while ensuring that all constitutional requirements were provided with the minimum funding level. For most agencies, the pro rata reduction of $48 M represented 2%of their SGF allocation, but the reduction varied from 0% to 5%. There was no statewide SGF pro rata reduction applied to the Louisiana Department of Health (LDH). These adjustments are reflected in Table 2. To the extent known, the LFO will include descriptions of the impacts of the pro rata statewide reduction to agencies in its "*Analysis of HB 1*" publication prior to the beginning of the legislative session.

Table 3 below identifies the most significant state funds adjustments (excluding federal and IAT) contained in the executive budget recommendations.

TABLE 3 - Significant Funds Adjustments, All State Agencies	Total State Funds	
Provide for negotiated increased installment payments by the Governor's Office of Homeland Security and Emergency Preparedness to FEMA in order to repay the state's cost share of the August 2016 flooding event ($11.4 M – first of five payments) and other outstanding federal debts related to prior disasters ($3.4 M increase to $10.4 M total - third of five payments).	$14,855,151	SGF
Increase funding to Corrections Services to provide for supplies and increased costs of medications. $4.8 M of the Corrections' 2% SGF pro rata reduction will be applied against the increase in supplies and medication funding, resulting in a net supplies increase of $6.9 M.	$11,717,738	SGF
Increase funding to Public Safety Services to provide for law enforcement services provided by State Police in the French Quarter ($6 M reimbursed by City of New Orleans); $5.7 M for 400 replacement vehicles and 10 replacement motorcycles; and $1.4 M to provide full funding for a training academy.	$13,156,547	SGR
FY 18 Minimum Foundation Program (MFP) includes adjustments of $18 M for student enrollment increases; $5 M due to changes in local tax bases; and a combined $18 M increase for targeted special education ($8 M) and supplemental course allocation ($10 M) initiatives. An MOF swap of $31.7 M replaces statutory dedications with SGF due to revised REC forecast for a total SGF increase to $72.9 M.	$41,181,824	SGF
Increase funding needed for local housing of state adult offenders according to the per diem of $24.39 as authorized by R.S. 15:824(B)(1)(a). This budget unit's 2% SGF pro rata reduction totals ($3.4 M), resulting in a net increase of $8.5 M. Corrections projects that the net increased recommended funding level will realize a shortfall of approximately $14 M in comparison to projected need.	$11,914,505	SGF

Table 4 below includes the significant payment adjustments for LDH (including all means of finance).

TABLE 4 - Significant Adjustments, LA Dept. of Health	All Means of Finance
Increase in Managed Care capitation payments in FY 18. The increase in capitation payments to the health plans includes $612.5 M funding adjustment in FY 18 for pushed check write (which represents an FY 17 payment liability for Physical and Behavioral Health benefits)	$1.8352 B
Increase in dental managed care capitation payments in FY 18. The increase in payments to the dental benefit manager includes funding for pushed dental check write (dental services Prepaid Ambulatory Health Plan).	$17.3 M
Various provider rate increases (Ambulance, Nursing Home rebase, Federally Qualified Health Center, and Rural Health Clinic, Hospice, Rural Hospitals)	$77.5 M
Funding for projected Utilization increases (Applied Behavioral Analysis, Long Term Personal Care Services, Durable Medical Equipment) for populations excluded from managed care.	$42 M

The DOA identified the following unfunded items listed in Table 5 below, which constitute the $440.5 M shortfall in the governor's identified priorities. This includes funding for some items contained in the Continuation Budget. Commissioner Dardenne reported this list is not presented in order of priority.

TABLE 5 - Governor's List of Unfunded FY 18 Needs	
Full funding for TOPS	$ 81,862,855
Performance Adjustments for state employees	$ 23,862,870
Funding for technology projects	$ 10,000,000
Corrections/contract rates for private prisons	$ 10,872,890
Restore funding for LDH and public/private partnerships	$ 91,691,587
Full funding for agencies (restore pro rata reductions)	$ 48,058,018
Match funding for DOTD*	$ 43,200,000
MFP 2.75% base increase in per pupil amount	$ 74,954,042
GO Grants	$ 34,800,000
Opening of OJJ Acadiana Youth Village	$ 12,069,256
DCFS caseload, including 187 positions	$ 4,653,212
Tourism funding	$ 4,500,000
TOTAL	$ 440,524,730

*Match Funding for DOTD – *In the executive budget presentation at the meeting of the Joint Legislative Committee on the Budget on February 23, 2017, Commissioner of Administration Jay Dardenne reported that DOTD estimates it could be as much as $43.2 M short of needed state monies to match available monies from the federal Highway Trust Fund (HTF). The presentation detailed that the state shortfall for infrastructure projects, when combined with a $172.8 M federal obligation, could result in a potential $216 M total impact.*

Federal transportation funding is currently allocated to the states under the Fixing America's Surface Transportation Act, or "FAST Act," through 2020. The FAST Act authorizes monies for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, research, technology, and statistics programs. The federal transportation program is funded via the federal HTF, which draws revenues from an 18.4-cents per gallon federal gasoline tax and a 24.4-cents per gallon federal diesel fuels tax.

States are apportioned a federal obligation from the HTF, which requires varying state and local funds match rates depending upon the type of project undertaken. The general match rate requires a 20% state or local contribution, although different project categories may require a lower match component (i.e. projects on Interstate highways may require only 10%). Additionally, that portion of state allocations nationally that are not fully drawn due to insufficient matching funds then revert to a pool at the end of each federal fiscal year to redistribute to states that have remaining available state matching funds through a process known informally as "plus up." Historically, Louisiana captures its entire federal allocation utilizing match revenues generated by the state's TTF through a 16-cents per gallon tax on motor vehicle fuels (gasoline and diesel), a 4% sales tax on aviation fuels, vehicle license taxes, interest earnings and truck weight permits and fines. Louisiana has been successful in capturing a portion of allocations not utilized nationally by other states during the federal fiscal year "plus up" for more than 25 years. Current estimates indicate up to $70 M of additional federal obligation availability annually by utilizing as much as $17.5 M in available state match.

In the recent past, however, DOTD has been unable to fully meet its full HTF obligation capacity due to recurring mid-year deficits that have resulted in the state transferring significant portions of the TTF into the SGF. Louisiana has only been able to secure all available federal HTF revenues because it could supplement TTF revenue with toll credits. Toll credits are a finite, non-recurring source of match issued to states for previous toll projects. Louisiana received $140 M in one-time toll credits from the federal government associated with LA 1. At the beginning of the current fiscal year, DOTD had a remaining toll credit balance of $111.2 M.

The use of a toll credit allows the state to draw down federal obligation on a per dollar basis, but it decreases the overall size of the construction program. For example, if a $50 M construction program were to be completed with a state match from the TTF, the project cost would generally be distributed as $40 M Federal HTF and $10 M TTF under an 80/20 match scenario. Utilizing toll credits, the project cost is distributed as $50 M Federal HTF with no cash state match. In the latter case, if the state had utilized a normal cash match mechanism, it would have allowed the state's highway program to realize an additional $12.5 M of construction and design activity by matching the full $50 M federal allocation (adding an additional $10M HTF and $2.5 M TTF

<u>Match Funding for DOTD (cont.)</u> – at 80/20). So while the use of toll credits prevents the loss of the state's available HTF allocation, it causes the overall program to shrink.

The estimated shortfall as suggested by the commissioner makes three assumptions that may or may not come to fruition. Namely, the shortfall assumes the following: 1) a possible mid-year reduction of 5% of the Transportation Trust Fund during FY 18 if the state realizes another mid-year deficit, 2) a potential 3% reduction to the Transportation Trust Fund if HCR1 of the 1st Extraordinary Legislative Session of 2017 results in a portion of Transportation Trust Fund revenues being used to pay for general state debt obligations, and 3) that the state will obtain a year-end federal "plus up" of $70 M, requiring an additional $17.5 M state match during both FY 17 and FY 18. If those three scenarios come to fruition, Louisiana would be short approximately $27.4 M in match (either TTF or toll credits) to mitigate the potential shortage, resulting in up to $137 M of HTF obligation not being fully utilized in FY 18. <u>Note: This assumption utilizes updated estimates provided by DOTD since the original report given by the commissioner during the executive budget presentation.</u>

Projected Toll Credit Balance at end of FY 17:	*$67.4 M*
Programmed usage of Toll Credits in FY 18:	*($28.7 M)*
FY 18 Potential BSRF Impact per HRC 1:	*($18.9 M)*
FY 18 Potential Mid-Year Deficit Maximum Impact:	*($29.7 M)*
FY 18 State Match for Federal Year-End "Plus Up":	*($17.5 M)*
Potential Toll Credit Deficit at End of FY 18:	*($27.4 M)*

Regardless of whether the aforementioned scenario materializes, DOTD anticipates that its capacity to fully match its available HTF obligation will expire approximately at the end of FY 19 or beginning of FY 20 due to the depletion of programmed toll credits utilized in its existing transportation plan (estimated at $26.3 M in FY 17, $28.7 M in FY 18 and $34.6 M in FY 19).

FY 18 Executive Budget Departmental Overviews

In this section the LFO will discuss the executive budget recommendations and some potential, significant issues for select departments and agencies. The LFO will publish its comprehensive analysis of the executive budget recommendation prior to the 2017 Regular Session.

GENERAL GOVERNMENT

--Alan Boxberger, General Government Section Director, boxbergera@legis.la.gov--
--Monique Appeaning, Fiscal Analyst/Special Projects Coordinator, appeaningm@legis.la.gov--
--Zachary Rau, Fiscal Analyst, rauz@legis.la.gov--

Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) – The FY 18 Executive Budget recommends a total of $1 B, reflecting a decrease of $299.7 M (including an increase of $11.7 M SGF and decreases of $11.5 M IAT and $299.8 M Federal). The SGF increase primarily accounts for the state's cost share (approximately $11.1 M) for installment payments to the Federal Emergency Management Agency (FEMA) for severe storm and flood events occurring statewide in 2016, other payments due for past emergency events, and $0.7 M for the purchase of 181,500 Meals Ready-to-Eat (MREs) to replenish the state's stock for immediate response during emergency events. The IAT reduction non-recurs funding sent from Public Safety Services for the Louisiana Wireless Information Network (LWIN) system upgrade, projected to be complete during FY 17. The reduction of federal funds accounts for a reduction of excess federal budget authority not required during FY 18.

Department of Military Affairs – The FY 18 Executive Budget recommends a total $78.7 M, reflecting a decrease of $38.3 M ($3.4 M SGF, $9.5 M IAT, $0.6 M SGR and $24.8 M Federal). The budget plan includes a 2% SGF pro rata reduction of $0.7 M in accordance with the LA Constitution, Article 7, Section 11.A, which will result in an additional loss of $1.6 M in federal match funding. The pro rata adjustment will result in a reduction of $525,724 in the Education Program, along with the federal matching funds of $1,577,172 (25% state/75% federal). The department reports that a reduction of this magnitude could result in reducing the overall target graduation rate of the Youth Challenge Program by 124 cadets (approximate standard cost of $17,000 per cadet). A reduction of $21.8 M in federal authority non-recurs authority related to the Camp Minden M6 explosives cleanup (the project is currently 85% complete and is projected to be completed during FY 18).

Corrections Services – The FY 18 Executive Budget recommends a total budget of $539.2 M, reflecting a total increase of $21.3 M ($8.1 M SGF, $8.3 M IAT, and $4.8 M SGR). While the overall recommendation increased over FY 17, the budget plan includes a 2% SGF pro rata reduction of $9.7 M in accordance with the LA Constitution, Article 7, Section 11.A. Significant FY 18 funding adjustments include: 1) $8.3 M IAT increased over FY 17, the budget plan includes a 2% SGF pro rata reduction of $9.7 M in accordance with the LA Constitution, Article 7, Section 11.A. Significant FY 18 funding adjustments include the following: 1) $8.3 M IAT from GOHSEP for the replacement of two (2) pumps needed to pump water into the Mississippi River at Louisiana State Penitentiary – provided by a grant through FEMA's Hazard Mitigation Program, 2) $11.7 M SGF increase to provide for supplies and increased costs of medications ($4.8 M of this amount is eliminated by the agency's 2% SGF pro rata reduction), and 3) $4.3 M SGR to move the Angola Rodeo on budget. The department reports that majority of its remaining pro rata reduction will reduce overtime available to pay corrections officers by the amount of $4.7 M.

Office of Juvenile Justice (OJJ) – The FY 18 Executive Budget recommends a total budget of $115.2 M, reflecting a total decrease of $4.3 M SGF. Contained within the overall SGF reduction is a 2% pro rata reduction of $2.1 M in accordance with the LA Constitution, Article 7, Section 11.A. Significant FY 18 funding adjustments include: 1) annualization of the FY 17 2nd mid-year deficit reduction plan totaling $5.4 M SGF, resulting in an increase in caseload sizes for Probation and Parole Officers from 28 youth per officer to 40 youth per officer ($1.35 M) and elimination of funding that was previously budgeted to Youth Services for services provided by the Louisiana Department of Health (LDH) for the Coordinated System of Care ($4 M SGF), and 2) an increase of $518,199 SGF to provide LEAF financing of 50 replacement vehicles throughout the department. The FY 18 Executive Budget does not provide funds to open the new Acadiana Center for Youth. OJJ 's budget request included $14.3 M SGF to open the facility in July 2017.

Local Housing of State Adult Offenders – The FY 18 Executive Budget recommends a total budget of $166 M, reflecting a total increase of $9 M (including an $11.3 M increase in SGF and a $2.3 M decrease in statutory dedications out of the Insurance Verification System Fund). While the overall recommendation increased over FY 17, the budget plan includes a 2% SGF pro rata reduction of $3.4 M in accordance with the LA Constitution, Article 7, Section 11.A. The entire pro rata reduction amount is applied to the Local Housing of Adult Offenders Program (excluding the Transitional Work Program and the Local Reentry Services Program). The increase in total funding is needed to provide for local housing of state adult offenders in accordance with the per diem of $24.39 as authorized by R.S. 15:824(B)(1)(a), and also provides $468,127 of additional funds for a projected increase in offenders participating in the Transitional Work Program. Corrections projects that the net increased recommended funding level will still realize a shortfall of approximately $14 M in comparison to projected local housing expenditure need.

Judiciary – The FY 18 Executive Budget recommends a total budget of $167.5 M, reflecting a total decrease of $3.8 M SGF. The LA Supreme Court reports that it has not determined the potential impact of the SGF reduction at the current time. Potential solutions include reductions of discretionary funds, administrative costs (travel, supplies, renegotiation and reduction of contracts, etc.), and discretionary programs (drug and reentry courts, Family in Need of Services representation, Child in Need of Care representation, and the Court-Appointed Special Advocates program). Any solution to the $3.8 M reduction is subject to the approval of the Judicial Budgetary Control Council and the Chief Justice of the Supreme Court.

HEALTH & HOSPITALS

--Shawn Hotstream, Health & Hospitals Section Director, hostreas@legis.la.gov--
--Tanesha Morgan, Fiscal Analyst, morgant@legis.la.gov--

The Governor's Executive Budget provides an additional $1.6 B total funding for Medicaid in FY 18. Total Medicaid funding for FY 18 represents a 14.5% increase from the FY 17 Existing Operating Budget. Although program spending is projected significantly higher than FY 17 (from EOB as of 12/1/16), SGF is reduced by $245.7 M, or 10.5%, in the executive budget. SGF is largely reduced and/or offset due to the use of other funds.

FY 18 Medicaid

	EOB	*Executive Budget*	*Difference*
SGF	$2,347,201,044	$2,101,425,001	($245,776,043)
IAT	$35,573,960	$24,603,787	($10,970,173)
Fees/Self Gen	$332,224,531	$320,195,434	($12,029,097)
Stat Ded	$690,684,380	$842,358,353	$151,673,973
Federal	$7,601,175,451	$9,319,393,042	$1,718,217,591
Total	$11,006,859,366	$12,607,975,617	$1,601,116,251

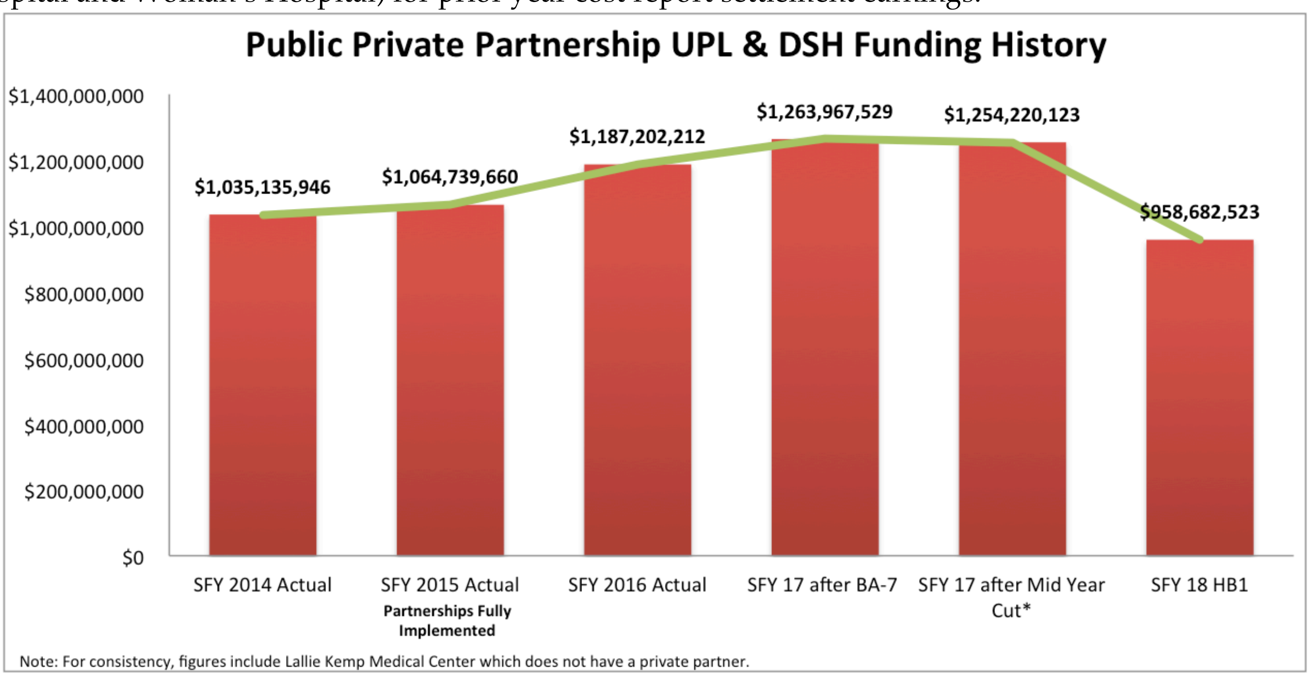
Federal Medical Assistance Percentage (FMAP) for FY 18 requiring approximately $90 M less in SGF need, a 22% (or $152 M) increase in Statutory Dedication funding used to replace a like amount of SGF as a state match source to fund the Medicaid program, an increase in SGR contributions from local/public entities to the Medicaid program, non-recurring one-time expenditures, and certain rate reductions/program transfers. A significant reason for the federal funds increase is federal matching funds for additional Medicaid expansion spending in FY 18.

Overall program growth resulted from certain significant increase adjustments, including Medicaid enrollment growth, certain provider rate increases, funding for a pushed check write for both physical and dental health premium payments (represents a prior payment liability), projected fee for service payment utilization increases, a dental managed care capitated payment increase, payments for prior year cost report settlements, and annualized funding needs from FY 17. Specific significant Medicaid increase adjustments for FY 18 are reflected below.

$1.8352 B – Managed Care payment increase, includes $612.5 M funding adjustment in FY 18 for pushed check write payment liability (Physical Health)
$13.96 M – Funding for pushed dental check write (dental services Prepaid Ambulatory Health Plan)
$77.5 M – Rate increases (Ambulance, Nursing Home rebase, FQHC and RHC providers, Hospice, Rural Hospital)
$42 M – Utilization increases (Applied Behavioral Analysis, LT-PCS, Legacy Fee for Service)

Public Private Partnership Funding

Based on specific budget adjustments reflected in the Executive Budget, Private Partner hospital payments are reduced by approximately $305 M in supplemental payments from the existing budget (EOB at 12/1/16 as reflected in the January Medicaid Monthly Financial Report). Specific budget decreases to partnership hospital providers include reducing $84 M (6%) in supplemental Medicaid payments (UPL) and Disproportionate Share (DSH) payments in FY 18. In addition to these specific cuts, approximately $215.4 M in total payments (both UPL and DSH funding) is redirected to fund base per diem rate increases to all hospital providers in FY 18. This redirection of funds alone is anticipated to result in a net reduction to the partner hospitals. Finally, $45.6 M in one-time UPL payments to various partners is reduced (which were paid to cover costs associated with prior year cost report settlements). There is additional supplemental funding in the amount of $14.6 M added to pay certain partners (Our Lady of the Lake Hospital and Woman's Hospital) for prior year cost report settlement earnings.



*An October BA-7 added an additional $135 M in supplemental payments to the partner hospitals (source of match are fees from local hospitals and the LSU Medical Schools)

For FY 17, each partner hospital and the DOA entered into separate Memorandums of Understanding (MOU). The MOUs indicate maximum supplemental payment funding levels (not including Title 19 Medicaid claim payments) to be paid to each partner by LDH. Information provided by the DOA indicates the MOUs for FY 17 will be extended into FY 18, and amended at some point in FY 18. Based on the Executive Budget, current supplemental funding allocations to the PPP's are less than the current MOU levels of funding. To the extent the funding levels itemized in the MOUs are not amended to match the level of funding allocation, there may exist some state payment liability over funding levels allocated for FY 18.

Note: Information provided in the Medicaid budget request indicates all supplemental Medicaid UPL payments will be provided to the health plans through Full Medicaid Pricing (FMP), which will be built into the monthly capitation payments. Full Medicaid Pricing payments are similar to legacy Medicaid UPL payments, just directed to hospitals through the health plans versus directly to the hospital provider.

Note: Federal regulations limit the use of FMP (directed supplemental payments in MCO contracts/rates) in future years, beginning in 2018. (*See "Medicaid and CHIP Managed Care Final Rule" issue below*).

Hospital Base Rate Funding

The FY 18 Executive Budget reduces both supplemental UPL payments and DSH payments and re-directs and utilizes the SGF associated with these reductions for hospital "base rate" increases. These increases represent an increase in per diems "across the board" to all hospitals, by peer group. The specific per diem increase by hospital peer has not been provided to the LFO. This adjustment is initially budget neutral (SGF) for Medicaid as reflected in the Executive Budget (see budget adjustment below in Illustration A). However, the actual costs associated with per diem increases for FY 18 may not necessarily equal the budgeted amounts of claims payments because claims payments are not capped as supplemental payments are.

Illustration A:

Hospital Supplemental Reduction

SGF	Self Gen	Federal	Total	
(8,214,414)	($1,035,958)	($88,036,495)	($97,286,867)	- Reduces hospital UPL supplemental payments
($42,888,680)	$0	($75,229,415)	($118,118,095)	- Reduces hospital DSH supplemental payments
($51,103,094)	($1,035,958)	($163,265,910)	($215,404,962)	

Corresponding Hospital Per Diem Increase

SGF	Federal	Total	
$51,103,094	$325,219,245	$376,322,339	- Increase in hospital per diem payments

Note: Although the partnership hospitals will receive per diem rate increases, the effect of the movement of funding from supplemental payments to rate increases is anticipated to reduce overall net payments to the Public Private Partnerships, as supplemental payments are cost based versus per diem rates which are based largely on service volume.

Note: Increases in hospital provider rates have the effect of reducing the UPL cap. Rate increases in both FY 17 and FY 18 are anticipated to reduce the aggregate allotment of supplemental UPL payments in FY 18. The effect on specific hospitals will depend on how supplemental payments are allocated to providers by LDH.

Managed Care Funding

The FY 18 Executive Budget provides for an increase in total funding to the health plans by approximately $1.84 B for both the expansion and non-expansion populations (these additional payments do not include premium payments for the dental managed care program). Total projected premium payments built into the FY 18 Executive Budget total $8.64 B. Note: This overall level of premium funding assumes payment rates at the rate floor. In addition, the total increase includes the pushed check write prior payment liability ($612.5 M).

FY 18 total MCO (Physical and Behavioral Health) capitation payments:

	EOB	Executive Budget Adjustments	FY 18 Executive Budget
Managed Care *base population*:	$4,885,554,876	($120,004,813)	$4,765,550,063
Managed Care *Expansion population*:	$1,921,423,806	$1,955,215,741	$3,876,639,547
TOTAL	$6,806,978,682	$1,835,210,928	$8,642,189,610

Significant adjustments resulting in this net increase in projected MCO premium payments in FY 18 are related to the expansion population, and include costs associated with enrollment growth, maternity kick payment increases, and growth in trend costs (utilization and inflation).

Dental managed care funding increased by $17.3 M in FY 18, largely to cover the costs associated with a pushed check write payment liability from FY 17 ($13.9 M), and due to both capitation rate increases and projected enrollment growth in the program ($3.3 M) in FY 18.

FY 18 total Dental capitation payments:

	EOB	Executive Budget Adjustments	FY 18 Executive Budget
Dental Program *base population*:	$158,114,632	$12,584,112	$170,698,744
Dental Program *Expansion population*:	$ 9,910,376	$4,712,565	$14,622,941

Medicaid and CHIP Managed Care Final Rule

The final federal managed care rule released by CMS will determine for future years the level of supplemental payments (Full Medicaid Pricing) that can be directed to hospital providers through MCO contracts.

As stated above, additional supplemental payments will be paid by LDH to the Medicaid health insurance plans through capitated payments, and passed through by the plans to the Public Private Partnership hospitals. Note: Based on a final federal managed care rule from the Centers for Medicare and Medicaid Services (CMS) intended to modernize Medicaid Managed Care regulations, FMP supplemental pass through payments (that do not meet the definition of acceptable payments under 438.6(a)) are anticipated to be phased out incrementally, possibly beginning in Federal Fiscal Year 18. States would no longer be able to direct supplemental pass through payments to certain providers through managed care plans (in the capitation payments). Specifically, language in the final rule (CFR 438.6) states "our final rule phases out the ability of states to use pass through payments by allowing states to direct MCO expenditures only based on utilization, delivery of services of individuals under the contract, or the quality and outcomes of services" (value based payments). The final rule provides for a phase out/transition period for using pass through payments (under 438.6(d)). The rule states that pass through payments to hospitals will be phased out over 10 years (10% annual reduction). After July 1, 2027, states are not allowed to direct certain pass through payments to hospital providers through an MCO (Medicaid managed care) contract. Additionally, the rule prohibits pass through payments to physicians and nursing facilities after July 1, 2022 (5-year transition/phase out period).

Although CMS intends through federal rule to eliminate directed payments through Medicaid managed care contracts, the FY 18 budget increases FMP payments. The LFO is seeking further clarification on the rule in order to determine the potential reduction of such pass through payments each year, which will impact payments to certain hospital providers (including both partner hospitals and rural hospitals).

EDUCATION

--Jodi Mauroner, Education Section Director, mauronerj@legis.la.gov--
--Willis Brewer, Fiscal Analyst, brewerw@legis.la.gov--
--Colleen McCrory, Fiscal Analyst, mccroryc@legis.la.gov--

FY 18 Minimum Foundation Program (MFP)/Dept. of Education

The Minimum Foundation Program (MFP) provides for an equitable distribution of state funds to local school districts. The MFP is the major source of state funding to local schools. For FY 17, the MFP is funded at $3.669 B; $3.378 B in SGF and $290.8 M in Statutory Dedications from the Support Education in LA First Fund ($109.7 M) and Lottery Proceeds Fund ($181.1 M). The FY 18 Executive Budget includes an adjustment of $18 M for an anticipated increase of 4,031 students and $5.1 M adjustment based on changes to the local tax base. Additionally, there is a $31.8 M MOF swap replacing statutory dedications with SGF. FY 18 funding totals $3.710 B ($3.451 B SGF, $152.8 M Lottery Proceeds Fund and $106.3 M SELF Fund).

In January, the MFP Task Force recommended a funding request including a 1.375% inflation adjustment ($35 M) as well as increased funding for High Cost Services ($6.9 M) and Supplemental Course Allocations ($7.8 M). While the recommended budget does not include increases to the base per pupil amount, which remains at $3,961, it does include $18 M in recommended funding outside of the formula for increases to High Cost Services ($8 M) and Supplemental Course Allocations ($10 M).

Department of Education (DOE) FY 18 funding totals $1,625 B (including $143.7 M SGF, $284.6 M IAT, $57.4 M SGR, $14.6 M Stat Ded and $1,124 B Federal). This represents a total reduction of $8.6 M. In addition to other budget adjustments, the SGF pro rata reductions made as part of the budget balancing plan total $2.9 M (2%).

Subgrantee Assistance will be reduced by $12.3 M, primarily as a result of budget authority adjustments based on historical spending levels. Activities funded in this program include the LA4 Program and the Student Scholarship for Educational Excellence Program (SSEEP) (vouchers). *The Cecil J. Picard LA 4 Early Childhood Program* is the primary preschool program in the state, serving approximately 16,300 children. It provides up to ten hours of early childhood education and before and after activities daily to four-year-olds from disadvantaged families. The *Nonpublic Schools Early Childhood Development Program (NSECD)* provides low-income families the opportunity to attend state-approved private preschools and childcare centers and serves approximately 1,500 preschool children annually. Current per child funding is $4,580.

For FY 18, the LA4 Program is funded at $77 M ($36.5 M SGF and $40.5 M TANF) a slight increase from current year and NSECD funding is slightly lower at $6.9 M SGF for total LA4 program funding of $83.9 M.

SSEEP allows selected students to attend participating non public schools with tuition expenses paid by the state. FY 17 funding is $40.1 M. There were 6,995 students enrolled in the first quarter ending 9/30/2016 for an annualized cost of $38.1 M. FY 18 recommended funding totals $39.8 M, a slight reduction from current year.

Special Schools and Commissions The FY 18 budget also includes $4.5 M in new funding for the Thrive Academy ($4.2 M SGF, $233 K Federal and $65 K IAT). This new state school was authorized by Act 672 of 2016 to provide educational and residential services to at-risk students in the state. Thrive currently serves 140 students in grades 6 – 11, primarily in the Baton Rouge and surrounding areas. At their 2/8/2017 meeting, BESE approved the FY 18 MFP forumula, which includes approximately $1.8 M for Thrive. If the legislature approves the MFP, the $4.2 M SGF allocation could be reduced by this amount resulting in a $4.5 M appropriation as follows: $2.4 M SGF, $233 K Federal and $1.8 M IAT.

FY 18 Higher Education

The FY 18 Executive Budget recommends a total budget of $2,560.2 B, reflecting total reductions of $31.7 M (including $19 M SGF, $9.5 M Statutory Dedications, and $3 M IAT).

Significant adjustments include the elimination of SGF ($18.3 M) as part of the statewide reductions implemented to address the SGF shortfall, as well as statutory dedication reductions based on the most recent REC forecasts ($9.5 M). This represents a reduction of approximately $28 M (for an average 2.5%) for institutions from the Higher Ed funding formula. In previous years institutions had authority to increase tuition (Grad Act) and fees (Act 377 of 2015), however these authorities expire June 30, 2017. As such, institutions do not have a mechanism to replace this revenue loss with other self-generated revenues.

Table 6 on the following page illustrates the potential impacts of the SGF reductions on individual institutions and systems. The recommended budget does not allocate specific amounts of SGF to individual institutions or systems. Instead, the recommended budget assigns all the SGF to the Board of Regents (BOR) for allocation after passage of the appropriations bill. The SGF allocation for each institution/system in FY 18 contained in the table is based on the same relative portion of their SGF allocation from FY 17.

Furthermore, the table assumes that the Legislature will fund the SGF requirements related to the GO Grant Scholarship Program ($26.4 M) and TOPS ($149.1 M) within the LA Office of Student Financial Assistance (LOSFA)). Excluding LOSFA, the table assumes that remaining higher education institutions and systems will receive a 2.5% pro rata reduction in SGF. Some institutions may receive a higher reduction as a result of the $9.5 M statutory dedication reduction. In reality, the funding formula adopted by the BOR WILL NOT allocate funding to institutions and systems on a uniform basis. However, the table is intended to GENERALLY illustrate the magnitude of the reductions in SGF faced by institutions and systems in the proposed budget.

The Higher Education Funding Formula currently allocates funds based on the following components: a pro-rata or base funding share (70%), cost share (15%) and outcomes share (15%). The BOR has indicated a goal to increase the portion of total funding allocated to institutions utilizing outcomes metrics, however, the BOR has not yet provided information on any changes to the allocation ratios that may be proposed for FY 18.

TOPS funding for FY 17 totals $209.4 M ($149.1 M SGF and $60.3 M Stat Ded) or 70% of actual need. FY 18 projected need is $291.2 M, however funding remains at a standstill level. Based on this funding level, OSFA estimates that a projected 49,493 recipients will continue to receive only 70% of the amount otherwise authorized by statute. GO Grant funding is anticipated to remain at a standstill level ($26.4 M).

TABLE 6 - Higher Education State General Fund by System and Institution - FY 17 EOB compared to FY 18 Recommended (Prorated SGF Cut).

	EOB Base for Distribution[1]	($18,389,304)	% Chng	FY 18 Recommended[2]	% Chng
Board of Regents	$14,046,612	($349,142)	-2.5%	$13,697,470	-8.2%
LA Universities Marine Consortium	$2,279,428	($56,657)	-2.5%	$2,222,771	-2.5%
Office of Student Financial Assistance					
Administration	$3,255,366	($80,915)	-2.5%	$3,174,451	-2.5%
Scholarships/Grants	$1,507,301	($37,465)	-2.5%	$29,798,944	-0.1%
TOPS Tuition	$0	$0	0.0%	$149,116,312	0.0%
Total Board of Regents	**$21,088,707**	**($524,179)**	**-0.3%**	**$198,009,948**	**-0.7%**
Baton Rouge Community College	$14,843,377	($368,946)	-2.5%	$14,474,431	-2.5%
Bossier Parish Community College	$10,611,041	($263,748)	-2.5%	$10,347,293	-2.5%
Central La Technical Community College	$5,186,197	($128,908)	-2.5%	$5,057,289	-2.5%
Delgado Community College	$25,156,147	($625,280)	-2.5%	$24,530,867	-2.5%
L.E. Fletcher Technical Community College	$3,166,341	($78,702)	-2.5%	$3,087,639	-2.5%
LCTCS Board of Supervisors	$7,103,950	($176,575)	-2.5%	$6,927,375	-2.5%
LCTCSOnline	$1,287,012	($31,990)	-2.5%	$1,255,022	-2.5%
Louisiana Delta Community College	$7,637,236	($189,831)	-2.5%	$7,447,405	-2.5%
Louisiana Technical College	$10,021,027	($249,082)	-2.5%	$9,771,945	-2.5%
Northshore Technical Community College	$5,038,565	($125,238)	-2.5%	$4,913,327	-2.5%
Nunez Community College	$3,445,379	($85,638)	-2.5%	$3,359,741	-2.5%
River Parishes Community College	$3,191,701	($79,333)	-2.5%	$3,112,368	-2.5%
South Louisiana Community College	$12,240,139	($304,240)	-2.5%	$11,935,899	-2.5%
SOWELA Technical Community College	$6,793,216	($168,852)	-2.5%	$6,624,364	-2.5%
Total LCTCS System	**$115,721,328**	**($2,876,363)**	**-2.5%**	**$112,844,965**	**-2.5%**
LSU Agricultural Center	$67,678,648	($1,682,218)	-2.5%	$65,996,430	-2.5%
LSU Alexandria	$5,111,186	($127,043)	-2.5%	$4,984,143	-2.5%
LSU A&M College	$113,941,275	($2,832,120)	-2.5%	$111,109,155	-2.5%
LSU Eunice	$4,561,088	($113,370)	-2.5%	$4,447,718	-2.5%
LSU Health Sciences Center New Orleans	$75,749,770	($1,882,833)	-2.5%	$73,866,937	-2.5%
LSU Health Sciences Center Shreveport	$58,142,892	($1,445,197)	-2.5%	$56,697,695	-2.5%
LSU Shreveport	$6,964,229	($173,103)	-2.5%	$6,791,126	-2.5%
Pennington Biomedical Research Center	$16,154,792	($401,543)	-2.5%	$15,753,249	-2.5%
Total LSU System	**$348,303,880**	**($8,657,427)**	**-2.5%**	**$339,646,453**	**-2.5%**
Southern Board of Supervisors	$2,208,087	($54,884)	-2.5%	$2,903,203	-1.9%
Southern Univ A&M College	$20,979,791	($521,473)	-2.5%	$20,458,318	-2.5%
Southern University Law Center	$3,998,169	($99,378)	-2.5%	$3,898,791	-2.5%
Southern University New Orleans	$6,603,318	($164,132)	-2.5%	$6,439,186	-2.5%
Southern University Shreveport	$5,714,036	($142,028)	-2.5%	$5,572,008	-2.5%
SU Agricultural Research/Extension Center	$2,442,477	($60,710)	-2.5%	$3,381,767	-1.8%
Total SU System	**$41,945,878**	**($1,042,605)**	**-2.5%**	**$42,653,273**	**-2.4%**
Board of Supervisors-Univ of LA System	$1,026,178	($25,507)	-2.5%	$1,000,671	-2.5%
Grambling State University	$12,826,623	($318,818)	-2.5%	$12,757,805	-2.4%
Louisiana Tech University	$26,550,006	($659,926)	-2.5%	$25,890,080	-2.5%
McNeese State University	$16,718,898	($415,564)	-2.5%	$16,303,334	-2.5%
Nicholls State University	$14,017,818	($348,426)	-2.5%	$13,669,392	-2.5%
Northwestern State University	$19,372,164	($481,514)	-2.5%	$18,890,650	-2.5%
Southeastern Louisiana University	$27,336,478	($679,474)	-2.5%	$26,657,004	-2.5%
University of Louisiana - Lafayette	$43,881,375	($1,090,714)	-2.5%	$42,975,661	-2.1%
University of Louisiana - Monroe	$23,266,317	($578,307)	-2.5%	$22,688,010	-2.5%
University of New Orleans	$27,779,142	($690,477)	-2.5%	$27,088,665	-2.5%
Total UL System	**$212,774,999**	**($5,288,727)**	**-2.5%**	**$207,921,272**	**-2.4%**
Total Postsecondary Education	**$739,834,792**	**($18,389,301)**	**-2.0%**	**$901,075,911**	**-2.1%**

[1] FY 17 EOB Base excludes funding for START ($1.9 M), Go Grants ($26.4 M), TOPS ($149.1 M), and $2 M SGF for SU Ag, SUS BOS, and Grambling.

[2] FY 18 Recommended includes $185,000 SGF to ULL for the LA Procurement Technical Assistance Center (PTAC); currently funded via IAT.

FY 18 REVENUE MEASURES

--Greg Albrecht, Chief Economist, albrechtg@legis.la.gov--
--Ben Vincent, Economist, vincentb@legis.la.gov--

House Concurrent Resolution 11 of the 2016 First Extraordinary Session created the Task Force on Structural Change in Budget and Tax Policy. The Task Force's charge was to evaluate budget and tax reforms, and to make recommendations of changes to the state's tax laws in an effort to modernize and enhance the efficiency and fairness of the state's tax policies for individuals and businesses, as well as to examine the structure and design of the state budget and make recommendations for long term budgeting reforms. The Task Force submitted its recommendations on November 1, 2016. Those recommendations are described below, but no specific legislation implementing them has been filed to date for consideration in the upcoming legislative session.

The Task Force made recommendations for changes to the state and local sales tax systems, the individual income tax, the corporate income and franchise tax, the property tax, and various economic development incentive programs. With regard to the **sales tax**, major recommendations included (1) reducing the state sales tax rate to a minimum of 4.0% and preferably less as the revenues derived from a tax base expansion and eliminations of exemptions are quantified; (2) eliminating certain exemptions from the sales tax base to include items now taxed according to Act 26 passed in the 1st Extraordinary Session and amended by Act 12 of the 2nd Extraordinary Session; (3) expanding the sales tax base to include the same services that are currently taxed in Texas and digital products; (4) including non-residential utilities as part of the tax base; (5) including manufacturing machinery equipment as part of the state sales tax base but establish rebates in order to be competitive with other states; and (6) establishing a uniform state and local administration and collection system.

With regard to the **individual income tax**, major recommendations included (Option 1) requiring a constitutional amendment to expand the tax base through full elimination of the deduction for federal income taxes paid and half of the deduction for excess federal itemized deductions. In addition, brackets are narrowed, and tax rates are reduced by 25%; and, (Option 2) requiring only statutory enactment to expand the tax base through full elimination of the deduction for excess federal itemized deductions. In addition, brackets are narrowed, but tax rates are not reduced. Additionally, the Task Force recommends the elimination or retention of certain exclusions, deductions, and credits.

With regard to the **corporate income and franchise tax**, major recommendations included the following: 1) a careful evaluation by the Louisiana Department of Revenue and the Louisiana Tax Institute of a move from single-entity taxation, as we currently have, to a system of combined reporting to further assist in creating a simpler more predictable source of revenue for the state; and 2) restructuring, phasing out, or eliminating the Corporate Franchise Tax provided the replacement revenue source to coincide with that restructure, phase out, or elimination is identified. The determination of the appropriate restructure, elimination, or phase out would be through a study conducted by the Louisiana Department of Revenue and the Louisiana Tax Institute. The study of the franchise tax and the combined reporting evaluation are to be completed within two years and recommendations are to be made to the Legislature based on the findings by 2019. Additionally, the Task Force recommends the elimination or retention of certain exclusions, deductions and credits, and that all temporary changes enacted during the 2015 and 2016 Legislative Sessions be allowed to sunset in 2018 in favor of the implementation of the permanent adjustments recommended by the Task Force.

With regard to the **property tax**, major recommendations included: 1) maintaining the present homestead exemption; 2) amending the Constitution to allow for local governmental approval of the industrial tax exemption and creating a statutory framework that ensures local governments are included in the approval process and establishing policies for use of the exemption as an economic development tool that favors job growth. Further, the industrial exemption can be up to 100% of the value of the investment for the first five years and then up to 80% for the next three years; 3) a constitutional amendment to allow for a gradual elimination of the assessment of ad valorem taxes on inventory over a ten-year time period, with millage rollup provisions or other local tax base expansions or a state level revenue sharing fund, accompanied by an elimination of the state income and franchise tax credit for ad valorem taxes paid on inventory over a five-year time period; 4) the elimination of the ad valorem tax credit for natural gas over a five-year period, but the retention of the tax credits associated with offshore vessels and other telephone company property; five-year time period; 4) the elimination of the ad valorem tax credit for natural gas over a five-year period, but the retention of the tax credits associated with offshore vessels and other telephone company property; 5) expanded use of payment in lieu of tax ("PILOT") arrangements for local governments considering ad valorem tax exemptions to attract economic development; and 6) a constitutional amendment limiting the ad valorem tax exemption for property owned by non-profits to property exclusively used for the tax exempt purposes of the non-profit.

With regard to certain **economic development incentive programs**, major recommendations included the following: 1) adjusting the wage requirement ($14.50/hour) of the Quality Jobs Program periodically to keep pace with the growth of the economy; 2) restructure the R&D program from a 40% tax credit to a 30% rebate, limit participation to only companies that receive a federal Small Business Innovation and Research (SBIR) grant, and cap this program at $5 million per year; 3) retain the film credit program as a non-appropriated, non-refundable tax credit incentive with both discounted redemption and transferability as alternative options for use, and that the back-end cap be replaced with a front-end cap; and 4) establish program sunsets of July 1, 2021 and July 1, 2022 on all LED tax credit and rebate incentives, respectively, along with a rigorous studies of tax incentive programs following a number of guidelines recommended by the Task Force.